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SUBJECT: DAS GARBER CEMENTS TIES WITH NEW SLOVENIAN
GOVERNMENT

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Classified By: CDA Brad Freden, Reasons 1.4 (b,d)

Summary

¶1. (C) During a visit to Ljubljana on January 14, visiting EUR DAS Judy Garber assured Slovenian officials that the USG would continue to pursue a strong transatlantic partnership. She noted that the U.S. had coordinated closely with its G-20 partners to respond to the global financial crisis and would continue to do so. Discussing the ongoing gas crisis, she requested that PM Pahor make the point to Gazprom's Alexei Miller during his planned visit January 16 to Ljubljana that cutting off gas to Europe is unacceptable. Her interlocutors were very supportive of Nabucco. All agreed that the EU needed to heed this "wake-up call" and diversify energy sources, pipelines and types of energy. She welcomed news that Slovenia planned to ratify the accession of Croatia and Albania to NATO by the end of the month. She encouraged Slovenia to build on that move and to cooperate with Croatia to find a solution to the border issues, which are problematic for Croatia's EU accession. Garber and Slovenian officials shared concerns about the Western Balkans, particularly Bosnia and Herzegovina. Hearing that Slovenia planned to conduct a strategic defense review, including its peace-keeping operations, she urged that Slovenia consider fielding an operational mentoring and liaison team (OMLT) in Afghanistan and lift its caveats if possible. Garber expressed appreciation for Slovenia's professionalism and leadership during their EU presidency. FM Zbogar stressed that his government was very sorry to be losing Ambassador Ghafari, who had "made a great impression in Slovenia." Zbogar and the PM's Economic Advisor suggested that the U.S. and Slovenia continue Ambassador Ghafari's work to strengthen our economic ties. End Summary.

Strong U.S.-Slovenia Relationship

¶2. (C) During a visit to Ljubljana on January 14, visiting EUR DAS Judy Garber met with members of the new government, including Foreign Minister Samuel Zbogar; Minister Mitja Gaspari who heads up the government's efforts to deal with the financial crisis; the Prime Minister's advisors; and the new chair of Parliament's Foreign Policy Committee. The Ambassador delivered the Secretary's letter congratulating FM Zbogar on his appointment (reftel), which the FM appreciated. Zbogar expressed his government's sorrow about Ambassador Ghafari's departure and noted what a "great impression" he had made in Slovenia and how positively Slovenians feel about him. He suggested that the U.S. and Slovenia continue the Ambassador's work to strengthen our economic relationship, as well as to continue the close and wide-ranging cooperation

started during Slovenia's Presidency of the EU. He, along with other government of Slovenia (GOS) officials, emphasized Slovenia's desire to continue to work closely with the new Administration. He expressed his desire to meet with the new Secretary when appropriate, as well as Prime Minister Pahor's wish to meet with the President.

Cooperating on the Balkans

13. (C) In her meetings with the Foreign Minister, the PM's advisors, and Ivo Vajgl, Chair of the Foreign Policy Committee, Garber relayed our concern about the Western Balkans. Marko Makovec, International Relations Advisor to the PM, stressed that Slovenia's foreign policy would remain the same under the new government - including support for and stabilization of the Western Balkans. FM Zbogar also suggested that the U.S. and Slovenia could cooperate on the Balkans, and that Slovenia might increase its activities in the region. In the next few weeks he planned to visit and receive delegations from the region. Both Makovec and Vajgl expressed concern about the lack of constitutional reforms in Bosnia and Herzegovina. Zbogar mentioned that Slovenia would like Serbia to move faster along the path to the EU, but at the January GAERC Slovenia planned to push the EU to move quicker on Serbia, acknowledging that the ICTY was still a problem for some member states. Makovec also stressed the need for the EU to move forward on visa liberalization.

Slovenia-Croatia Relations: "Comfortable" about NATO Accession; Reviewing Options for the EU

LJUBLJANA 00000016 002 OF 004

14. (C) FM Zbogar assured DAS Garber that he was "comfortable" that Slovenia would ratify the accession of Croatia and Albania to NATO by the end of the month. Parliament's Foreign Committee Chair, Ivo Vajgl, claimed that Parliament had pushed the government to accelerate the timetable. His committee would discuss it January 22; and Parliament planned to discuss ratification the week of January 26. Zbogar explained that Slovenia wanted to show that NATO was not a problem and that Slovenia wanted to extend the zone of security to the Balkans. He contrasted Croatia's NATO accession with its EU accession. All of our Slovenian interlocutors echoed his view. Zbogar lamented that Croatia had brought bilateral issues into the EU accession negotiations. Slovenia was considering its options. Slovenia did not want to delay Croatia's EU accession, but a solution was needed. Vajgl noted that it would be very helpful if the U.S. would convey a message to Croatia that it also needed to look at options for resolution.

15. (C) Vajgl and Makovec also emphasized that resolving the border issue would be an important precedent given Croatia's border issues with all of its other neighbors (except Hungary). Makovec noted that Slovenia would like the EU to think about the bigger Western Balkans picture when considering Croatia. The State Secretary in the PM's office, Dr. Rado Genorio, stressed that PM Pahor had been very clear - Slovenia was not blocking Croatia, but was in fact in favor of Croatia progressing faster. He referred to Croatia using Slovenia's objections as a way to divert the Croatian public's attention away from its own problems preparing for EU membership. Garber said that Slovenia's support for Croatia's admission to NATO was an important gesture and would reassure the international community. She also stressed that we look to Slovenia to work bilaterally and cooperatively with Croatia to resolve the border issue.

Gas Crisis, and Message for Gazprom that Cut-off is Unacceptable

16. (C) Garber raised the gas crisis and Gazprom's Alexei

Miller's planned visit on January 16 with FM Zbogar, Minister Gaspari, and the PM's advisors. She requested that the PM make the point to Miller that the gas cutoff to Europe is unacceptable. Zbogar agreed, and the PM's economic advisor, Ziga Cebulj, assured us that the PM's briefing paper would mirror the position expressed by the Czech EU presidency on the gas crisis. Cebulj noted that Slovenia's contract with Gazprom would expire in 2015, so Slovenia would need to begin negotiations in 2-3 years. Regarding the South Stream pipeline, Cebulj said that the PM would just be in listening mode, adding that there were not yet even any feasibility studies done for South Stream. Gaspari indicated that Slovenia was likely to sign on as a transit country for South Stream if it were able to beat out Austria. Gaspari, Cebulj, and Zbogar all voiced support for Nabucco, and were interested in the possible sources of gas. Garber encouraged EU leaders to meet with the Caspian leadership to show support and interest in the project. Cebulj called the current gas crisis a "wake-up call" for Europe to agree on a unified energy strategy. All the Slovenes agreed on the need for diversification of sources, routes and types of energy. All mentioned the possibility of building storage for LNG and building a second nuclear plant as ways to diversify Slovenia's supplies. Gaspari added that extending the Krsko nuclear plant was a sensitive issue for Slovenia's neighbors as well as domestically, and the GOS planned a public campaign to allay concerns.

Global Economic Crisis

17. (C) Vajgl said that although Slovenia was not in good shape, it was not in catastrophic shape either. Slovenia's economy was made up of small and medium-sized enterprises that were able to adjust quickly to the crisis. Minister Mitja Gaspari discussed the need for increased regulation of the markets by responsible governmental agencies. He explained that Slovenia would concentrate financial supervision under Central Bank auspices to enable the Bank to provide liquidity as needed. All market regulation would be under a separate agency. He suggested that Europe needed a different approach to rating agencies. Garber noted the economic crisis had shown the importance of close cooperation among countries on these issues.

LJUBLJANA 00000016 003 OF 004

18. (C) Garber explained that it would be a balancing act for the U.S. as our legislature went through the lengthy process to review and possibly restructure our regulatory agencies while advancing the international dialogue on these questions. Gaspari described the difficulties of coordinating the 27 different fiscal programs of the EU's member states and predicted it would be an equally lengthy and complicated process. Cebulj later said that the optimistic forecast for Slovenia was 1.1 percent economic growth; a bad scenario would be 0.2-.05 percent growth. He explained that when Germany's economy decreases by one percent, Slovenia's decreases by 0.2 percent. He noted Slovenia was also feeling the lack of liquidity that all of Europe and the world faced.

19. (C) DAS Garber encouraged Slovenia to avoid protectionist measures and failure to meet assistance commitments as responses to the financial crisis. Gaspari assured her that Slovenia was a small, open economy and "in no position to institute protectionist measures." In response to the second concern, he said that the new government was considering how to improve its international financial assistance. FM Zbogar had earlier relayed that he was reorganizing the MFA to form a new Directorate for Economic Diplomacy and Development Assistance. Gaspari said he strongly supported establishing an agency to implement and centralize different ministries' strategies. Garber offered U.S. support as Slovenia developed this agency.

Participation in NATO Operations

¶10. (C) FM Zbogar said that the MOD, MFA, and Minister of Interior would meet on January 21 to discuss increasing Slovenia's engagement in peace-keeping operations. Zbogar noted that the discussion would also include academics. He said that Slovenia wanted to be more focused; it would remain in the Balkans, cover Afghanistan - Slovenia would not withdraw or decrease its numbers, but would discuss how it could be more helpful. They would look to see whether it made sense to be present with just a few soldiers in some of the other places. In her meetings with the FM, the Parliamentary Foreign Policy Committee Chair, and the PM's advisors, Garber urged Slovenia to consider fielding an OMLT and encouraged it to lift its caveats if possible. She reminded them that both Secretary-designate Clinton and President-elect Obama had stated that Afghanistan will be an important focus for the next administration. Dr. Darko Lubi, the PM's National Security Advisor, explained that the discussion would take place in the context of the GOS undertaking a strategic defense review.

Privatization

¶11. (C) DAS Garber stressed to the Slovene officials that the U.S. wanted to bring our economic partnership up to the level of our political/diplomatic ties and we should work together to increase bilateral trade and investment. To this end, she asked Minister Gaspari about the prospects for privatization.

He noted that in a January 13 meeting with OECD officials who were doing their first evaluation on corporate governance (for Slovenia's accession to the OECD), he had suggested they write a critical report because it could help spur the GOS to go faster on good governance and privatization. He mentioned that the GOS was ready to talk with KBC (a Belgian minority stakeholder that has long been seeking a bigger stake) about raising its capital stake in Nova Ljubljanska Banka (NLB) to 49 percent immediately, with the prospect of more later. The GOS was also ready to privatize the insurance company Triglav and another bank, NKBM. He added that the GOS planned to establish a public-private partnership (PPP) group of experts to assist the GOS in preparing and negotiating PPPs, possibly for railways, logistics projects, and the Port of Koper.

FM Raises Other Issues

¶12. (C) FM Zbogar stated that at the end of the month the EU would discuss its response to the U.S. request to resettle some prisoners from Guantanamo, adding that Slovenia was happy with the President-elect's announcement about its closure. While Slovenia is discussing the possibility, Zbogar did not indicate there was much likelihood. Garber encouraged a positive response from both Slovenia and the EU.

Zbogar made a pitch for U.S. support for Slovenia's candidacy for a seat on the UNSC in 2012-2013.

LJUBLJANA 00000016 004 OF 004

Comment

¶13. (C) DAS Garber was the first high-level official to visit Slovenia since Pahor's government took power in November. The timing, early in the new Slovenian administration, was useful because the government is still finding its way forward on a number of issues and needed to have Washington's perspective before it got too far along. The level of DAS Garber's interlocutors and the openness of the discussions are an indicator of the strong partnership that Pahor's government wants to have with us.

¶14. (U) DAS Garber has cleared this cable.
FREDEN